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Message Text

CONFIDENTIAL

PAGE 01 TEL AV 04661 151411Z

44
ACTION NEA-16

INFO OCT-01 ISO-00 IGA-02 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20

STR-08 CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01

/162 W
---------- 079768
R 151259Z AUG 74
FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC 3545

C O N F I D E N T I A L TEL AVIV 4661

E.O.11652: GDS
TAGS: EFIN, IS
SUBJECT: FREEZE ON BANK CREDIT IMPOSED

1. EFFECTIVE AUGUST 14 MINISTERIAL ECONOMIC COMMITTEE DECIDED TO IMPOSE 90-DAY CREDIT LIMIT FREEZE. PURPOSE IS TO LIMIT COMMERICAL BANK CREDIT TO AVERAGE LEVEL APPERTAINING DURING FIRST 3 WEEKS IN JULY. BANKS MAY EXTEND CREDIT TO COMMERICAL CUSTOMERS BEYOND THIS LIMIT ONLY IF THEY SIMULTANEOUSLY DEPOSIT EQUAL SUM IN CENTRAL BANK. OTHERWISE, BANKS WILL BE PENALIZED BY A STIFF FINE AMOUNTING TO 25 PERCENT ANNUM ON THEIR LIQUIDITY DEFICIT.

2. GOVERNMENT TOOK THIS INITIATIVE AT REQUEST OF BANK OF ISRAEL. BACKGROUND IS EXCESSIVE GROWTH IN COMMERICAL
BANK CREDIT DURINGFIRST 7 MONTHS OF 1974. DIRECTOR GENERAL OF BOI TOLD PRESS THAT COMMERCIAL CREDIT HAD GROWN BY IL 1.5 BILLION SINCE JANUARY1. THIS THREATENED REST OF GOVERNMENT'S ANTI-INFLATION PROGRAM. HE INSISTED THAT THIS MEASURE WOULD NOT HARM INDUSTRY, BUT MANUFACTURERS'ASSOCIATION PUBLICY DISAGREED. IT WASHINTED THATPERIOD OF FREEZE MIGHT BE EXNTENDED BEYOND INITIAL 90 DAYS.

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3. EPHRAIM DAVRATH, ECONOMIC ADVISER TO FINANCE MINISTER

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RABINOWITZ, TOLD EMBOFFS THAT BOI'S LEAKS TO PRESS LAST WEEK,
ON PRECIPITOUS DECLINE IN RESERVES, WERE INTENDED TO SET
STAG FOR THIS MEASURE. DAVRATH DEPRECATED LEAKS AS UNNECESSARY.
HE NOTED THAT FINANCE MINISTRY HAD NOT OPPOSED BOI PROPOSAL.
KEATING

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BANK LOANS, BANK SERVICES
Control Number: n/a
Copy: SINGLE
Draft Date: 15 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CollinP0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TELAV04661
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740224-0895
From: TEL AVIV
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740843/aaaabkup.tel
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Original Classification: CONFIDENTIAL
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Page Count: 2
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Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
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Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 20 AUG 2002
Review Event:
Review Exemptions: n/a
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Review Media Identifier:
Review Referrals: n/a
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Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FREEZE ON BANK CREDIT IMPOSED
TAGS: EFIN, IS
To: STATE
Type: TE
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